# MINUTES ALABAMA REAL ESTATE APPRAISERS BOARD RSA UNION BUILDING 100 NORTH UNION STREET SUITE 370 MONTGOMERY, ALABAMA September 19, 2002

## **MEMBERS PRESENT:**

Mr. Chester Mallory (arrived at 2:35 p.m.)

Mrs. Jane Mardis

Mr. Mandell Tillman

Mr. Ronald Parker

Mr. Gary Carter

Mr. Wilder Cheney

Mr. Steve Martin

#### **MEMBERS ABSENT:**

Mr. R.L. Farmer, Jr.

Mr. Otis Stewart, Jr.

#### **OTHERS PRESENT:**

Mr. J.W. Holland, Jr.

Mrs. Lisa Brooks

Ms. Neva Conway

- 1.0 With quorum present Mr. Parker, Chairman called the meeting to order at 9:45 a.m. The meeting was held at the RSA Union Building, 100 N. Union Street, 3<sup>rd</sup>. Floor Conference Room, Montgomery, Alabama.
- 1.1 The meeting was opened with prayer by Mr. Martin and then the Pledge of Allegiance.
- 2.0 Members present were Mr. Wilder Cheney, Mr. Steve Martin, Mr. Ronald Parker, Mrs. Jane Mardis, Mr. Chester Mallory (arriving at 2:36 p.m.), Mr. Gary Carter and Mr. Mandell Tillman. Members absent were Mr. R.L. Farmer, Jr. and Mr. Otis Stewart, Jr.
- On motion by Mr. Cheney and second by Mrs. Mardis the regular minutes for August 15, 2002 were approved as written. All in favor, motion carried with Mr. Carter abstaining.
- Ms. Conway informed the Board that the disciplinary hearing that was scheduled for today on Mr. Mark Bryant, AB-00-76, AB-01-15 and AB-99-72 has been continued due a death in Mr. Bryant's family. She will try to reset the hearing for October 3-4, 2002 or November 14-15, 2002.

Ms. Conway informed the Board that she was still waiting on recommendations from the Administrative Law Judge on the Denise Hall case, AB-00-66.

Ms. Conway informed the Board the appeal to the Circuit Court in Montgomery County on the denial of Mr. Christopher Smith reconsideration hearing is still pending.

- 4.0 Ms. Conway informed the Board that attorney/appraiser; Gregory Albritton is the Republican candidate for Legislature, District 64.
- On motion by Mr. Cheney and second by Mr. Carter the following applications were voted on as listed. All in favor, motion carried.
- 5.1 <u>Trainee Real Property Appraiser</u> applications approved: Brent Craig, Kathy Davis, Karl Florine, Robert Lowell, Jr., Clint McElmoyl, Sharon Ricker, Stephanie Tinsley, Tina Turberville, James L. Vail, Jr.
- 5.2 <u>State Registered Real Property Appraiser</u> applications approved: NONE
- 5.3 <u>Licensed Real Property Appraiser</u> application approved: Kenneth E. Butterworth. Applications deferred: Barton E. Prince.
- 5.4 <u>Certified Residential Real Property Appraiser</u> applications approved: Lori A. Decker.
- 5.5 <u>Certified General Real Property Appraiser</u> applications approved: James Boswell (Recip.)(GA). **Applications deferred:** William R. Fralish, Frank E. Lindstrom, III.
- Mr. Holland gave the financial report informing the Board that we were 92% into the fiscal year and 90% into budget expenditures. Mr. Holland stated at this time there were no negative trends, which could not be reconciled. Mr. Holland informed the Board that he had to move money into personnel and professional services but should finish the year at 98% into the budget. On motion by Mr. Martin and second by Mr. Carter the Board voted to accept the financial report as read. All in favor, motion carried.

On motion by Mr. Carter and second by Mr. Martin the Board voted to raise license fees by \$25 per year for all categories to be effective next licensing cycle since the cost to mail all active appraisers USPAP's is approximately \$20,000 yearly. All in favor, motion carried.

On motion by Mr. Carter and second by Mr. Cheney the following education courses and instructor recommendations were approved or denied as indicated:

# AMERICAN SOCIETY OF FARM MANAGERS & RURAL APPRAISERS, ASFMRA

#### **Renewals:**

(C.E.) Fundamentals of Rural Appraisal Internet (A-101) – 50 Hours - **Approved** 

(Approved Instructor: Hoard Audsley, ARA)

(C.E.) Principles of Rural Appraisal Internet (S-201) – 44 Hours – **Approved** (Approved Instructor: Lee Ann Moss, Ph.D.)

#### **Initial Application:**

(C.E.) Rural Business Valuation – 16 Hours – **Approved** (Approved Instructor: Mary B. McCarter)

#### APPRAISAL INSTITUTE - Chicago

#### **Renewals:**

- (LIC) 110 Appraisal Principles 39 Hours Approved
- (C.E.)
- (LIC) 120 Appraisal Procedures 39 Hours Approved
- (C.E.)
- (LIC) 210 Residential Case Study 39 Hours Approved
- (C.E.)
- (LIC) 310 Basic Income Capitalization 39 Hours Approved
- (C.E.)
- (LIC) 320 General Applications 39 Hours Approved
- (C.E.)
- (LIC) 330 Apartment Appraisal: Concepts & Applications 16 Hours –
- (C.E.) Approved
- (LIC) 410 Standards of Professional Practice, Part A 16 Hours –
- (C.E.) Approved
- (LIC) 420 Standards of Professional Practice, Part B 8 Hours –
- (C.E.) Approved

(Approval requested for both LIC/CE, although CE is all the Board has every approved)

- (LIC) 430 Standards of Professional Practice, Part C 16 Hours –
- (C.E.) Approved
- (LIC) 500 Advanced Residential Form & Narrative Report Writing 40
- (C.E.) Hours **Approved**
- (LIC) 510 Advanced Income Capitalization 40 Hours Approved
- (C.E.)
- (LIC) 520 Highest & Best Use & Market Analysis 40 Hours –
- (C.E.) Approved

- (LIC) 530 Advanced Sales Comparison & Cost Approaches 40 Hours –
- (C.E.) Approved
- (LIC) 540 Report Writing & Valuation Analysis 40 Hours **Approved** (C.E.)
- (LIC) 550 Advanced Applications 40 Hours **Approved** (C.E.)
- (LIC) 600 Income Valuation of Small, Mixed-Use Properties 16 Hours
- (C.E.) Approved
- (LIC) 610 Cost Valuation of Small, Mixed-Use Properties 16 Hours –
- (C.E.) Approved
- (LIC) 620 Sales Comparison Valuation of Small, Mixed-Use Properties –
- (C.E.) 16 Hours **Approved**
- (LIC) 700 The Appraiser as an Expert Witness: Preparation & Testimony
- (C.E.) 16 Hours **Approved**
- (LIC) 705 Litigation Appraising: Specialized Topics & Applications 16
- (C.E.) Hours **Approved**
- (LIC) 710 Condemnation Appraising: Basic Principles & Applications –
- (C.E.) 16 Hours **Approved**
- (LIC) 720 Condemnation Appraising: Advanced Topics & Applications
- (C.E.) 16 Hours **Approved**
- (C.E.) On-line Analyzing Operating Expenses 7 Hours **Approved** (Approved Instructor: William T. Anglin)
- (C.E.) On-line Appraisal of Nursing Facilities 7 Hours **Approved** (Approved Instructor: James Tellatin)
- (C.E.) On-line Eminent Domain & Condemnation Appraising 7 Hours Approved(Approved Instructor: Norman Benedict)
- (C.E.) On-line Feasibility Analysis, Market & Value, Investment Timing: Option Value – 7 Hours – **Approved** (Approved Instructor: Kenneth Lusht)
- (C.E.) On-line The FHA & The Appraisal Process 7 Hours **Approved** (Approved Instructor: Craig M. Harrington)

- (C.E.) On-line The High-tech Appraisal Office 7 Hours **Approved** (Approved Instructor: John S. Cirincione)
- (C.E.) On-line Internet Search Strategies for Real Estate Appraisers 7 Hours – **Approved** (Approved Instructor: Jeffrey D. Fisher)
- (C.E.) On-line Introduction to GIS Applications for Real Estate Appraisers – 7 Hours – **Approved** (Approved Instructor: Christopher Miner)
- (C.E.) On-line Overview of Real Estate Appraisal Principles 7 Hours **Approved** (Approved Instructor: Alan F. Simmons)
- (C.E.) On-line Residential Design & Functional Utility 7 Hours **Approved** (Approved Instructor: Alan F. Simmons)
- (C.E.) On-line Residential Property Construction & Inspection 7 Hours
   Approved
   (Approved Instructor: Alan F. Simmons)
- (C.E.) On-line Small Hotel/Motel Valuation 7 Hours **Approved** (Approved Instructor: John R. Underwood, Jr.)
- (C.E.) On-line Valuation of Detrimental Conditions in Real Estate 7 Hours – **Approved** (Approved Instructor: Randall Bell)
- (C.E.) On-line Using your HP12C Financial Calculator 7 Hours **Approved** (Approved Instructor: Timothy S. Kohr)

## **Initial Application:**

- (C.E.) 800 Separating Real & Personal Property from Intangible Business
   Assets 16 Hours Approved
   (Approved Instructor: David Lennhoff, Jim Vernor & Marvin Wolverton)
- (C.E.) General Demonstration Appraisal Report Writing Seminar 7 Hours – **Approved** (Approved Instructor: Stephen Mantois & Roscoe Shiplett)

- (C.E.) Residential Demonstration Appraisal Report Writing Seminar 7
   Hours Approved
   (Approved Instructor: Sandra Adomatis)
- (C.E.) On-line Course 430 Standards of Professional Practice Part C-16 Hours **Approved**

# **CHARLES GABA REAL ESTATE INSTITUTE**

#### **Renewals:**

- (LIC) Fundamentals of Real Estate Appraisal 45 Hours **Approved** (Approved Instructor: Charles M. Gaba)
- (LIC) How to Use the URAR Form 15 Hours **Approved** (Approved Instructor: Charles M. Gaba)
- (LIC) Uniform Standards of Professional Appraisal Practice 15 Hours **Approved**(Approved Instructor: Charles M. Gaba)
- (C.E.) USPAP Update/Alabama Law 7 Hours **Approved** (Approved Instructor: Charles M. Gaba)

# **Initial Applications:**

- (C.E.) Introduction to Cost Approach 3 Hours **Approved** (Approved Instructor: Charles M. Gaba)
- (C.E.) Introduction to Income Approach 3 Hours **Approved** (Approved Instructor: Charles M. Gaba)

# INTERNATIONAL ASSOCIATION OF ASSESSING OFFICER, IAAO

#### **Initial Application:**

(C.E.) Course 400 – Assessment Administration – 30 Hours – **Approved** (Approved Instructor: Tom Fleming, CAE)

## MCKISSOCK APPRAISAL SCHOOL

- (C.E.) Appraiser Liability Virtual Classroom 7 Hours **Approved** (Approved Instructor: Alan F. Simmons)
- (C.E.) FHA Exam Preparation Virtual Classroom 7 Hours **Approved** (Approved Instructor: Alan F. Simmons)

- (C.E.) Construction Details and Trends Virtual Classroom 7 Hours –
   Approved
   (Approved Instructor: Alan F. Simmons)
- (C.E.) Fair Housing Virtual Classroom 4 Hours **Approved** (Approved Instructor: Alan F. Simmons)

\*The four (4) aforementioned courses were previously approved at the July Board meeting. Provider requests that the approval become effective upon the renewal period instead.

#### **Renewals:**

- (C.E.) USPAP Virtual Classroom 7 Hours **Approved** (Approved Instructor: Richard D. McKissock)
- (C.E.) Income Capitalization Virtual Classroom 7 Hours **Approved** (Approved Instructor: Alan F. Simmons)
- (C.E.) Information Technology Virtual Classroom 7 Hours –Approved(Approved Instructor: Alan F. Simmons)
- (C.E.) Developing & Growing an Appraisal Practice Virtual Classroom
   10 Hours Approved
   (Approved Instructor: Alan F. Simmons)
- (C.E.) FHA Appraising Today Virtual Classroom 7 Hours **Approved**(Approved Instructor: Alan F. Simmons)
- (C.E.) Appraiser Liability 7 Hours **Approved** Currently no plans to offer class in Alabama
- (C.E.) Appraising the Oddball: Nonconforming & Difficult Properties 7 Hours **Approved**
- (C.E.) Real Estate Damages: Assessment and Testimony 7 Hours **Approved**
- (C.E.) Real Estate Fraud and the Appraiser's Role 7 Hours **Approved** Currently no plans to offer class in Alabama
- (C.E.) The Appraiser as an Expert Witness 7 Hours **Approved** Currently no plans to offer class in Alabama

(C.E.) Uniform Standards of Professional Appraisal Practice – 15 Hours - **Approved** 

Currently no plans to offer class in Alabama

# **Initial application:**

- (C.E.) Does My Report Comply with USPAP? 7 Hours Approved
- (C.E.) National USPAP Update Course 7 Hours **Approved**
- (C.E.) Residential Construction 7 Hours Approved

## SCHOOL OF REAL ESTATE CONCEPTS

#### **Renewals:**

- (LIC) Applied Methods of Appraisal Calculations 15 Hours **Approved** (Approved Instructor: Hal M. Walls, Sr.)
- (C.E.) American National Standards for Residential Homes 7 Hours **Approved**(Approved Instructor: Hal M. Walls, Sr.)
- (C.E.) Innovative Ways to Determine Land Size and Value 7 Hours **Approved**(Approved Instructor: Hal M. Walls, Sr.)
- (C.E.) Measuring & Drawing Complex Homes 7 Hours **Approved** (Approved Instructor: Hal M. Walls, Sr.)
- (C.E.) USPAP Update 7 Hours **Approved** (Approved Instructor: Hal M. Walls, Sr.)

# **Initial application:**

(C.E.) Introduction to Land Surveying – 7 Hours - **Approved** (Approved Instructor: Hal M. Walls, Sr.)

#### SHOALS SCHOOL OF BUSINESS

#### **Renewals:**

(C.E.) Uniform Standards of Professional Appraisal Practice (USPAP) – 7 Hours – **Approved** (Approved Instructor: David S. McFall)

#### SCHOOL FOR REAL ESTATE CONCEPTS

# **Initial application:**

(C.E.) APEX Drawing Software – 7 Hours – **Approved** – On motion by Mr. Tillman and second by Mr. Cheney with Mrs. Mardis and Mr. Parker opposing the Board voted to approve. All in favor, motion carried.

(Approved Instructor: Hal M. Walls, Sr.)

# SOFTWARE FOR REAL ESTATE PROFESSIONALS, SRFEP, INC.

# **Initial Application:**

(C.E.) The Residential Appraiser Productivity Suite – 16 Hours – **Approve** – On motion by Mr. Tillman and second by Mr. Cheney with Mrs. Mardis and Mr. Parker opposing the Board voted to approve. All in favor, motion carried.

(Approved Instructor: R. Wayne Pugh)

6.2 <u>Complaint AB-99-35:</u> On August 2, 2002, a Letter of Warning was issued to a Certified General Real Property Appraiser in connection with the appraisal of a single-family residence in which he signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings.

The USPAP violations identified in the appraisal report are detailed as follows: Licensee failed to provide descriptive narrative in support of the difference between the actual age and estimated effective age of the subject property. Licensee failed to provide a summary statement explaining the methodology used to estimate accrued depreciation in the Cost Approach. In the Sales Comparison Approach, licensee failed to make a location adjustment to Comparable #5 for being surrounded by a John Deere Tractor Retail Store and Shop. comparable property had limited site accessibility and almost no view except for the tractor sales lot in front of the residence and a shop in the rear. On the Sales Comparison Analysis grid, adjustments applied to the sales for numerous dissimilarities were inconsistently applied and unsupported by the narrative as follows: Comparable #3 was adjusted for Basement and Finished Rooms Below Grade, but no basement existed in Comparable #3 or the subject property; Room count adjustments were either omitted or improperly applied to Sales #1, #2, #3, #4, #5, and #6; Comparable #6 was not adjusted for its 2 Car Garage compared to Subject's 2 Car Carport; Comparable #6 was not adjusted for the lack of Outbuildings as all the other comparables were. Supervisory Appraiser failed to provide proper supervision for Trainee Appraiser in the development and communication of this appraisal report. The following <u>USPAP</u> Standards (1998) Ed.) were violated: 1-1(a), 1-4(b)(iii), 2-1(a), 2-1(b), and 2-5.

<u>Complaint AB-99-64:</u> On August 2, 2002, a Letter of Warning was issued to a Certified General Real Property Appraiser in connection with the appraisal of a single-family residence in which he signed as the supervisory appraiser. This disciplinary action will be considered in any

future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: In the Sales Comparison Approach, Licensee inconsistently made adjustments in the sales grid for differences between the comparables and the subject property: Comparables #1 and #3 were adjusted positively for differences in room count and Comparable #2 had no adjustment; All three comparables should have been adjusted negatively; Comparables #2 and #3 were not adjusted for differences in recreational amenities when both properties possessed amenities for larger size, better condition, and higher quality compared to the Subject; All three comparables were adjusted according to the effective age and for differences in condition, reflecting a double dip in adjustments for the same reason. In the Sales Comparison Approach, Licensee utilized sales that exhibited significant dissimilarities to the subject with respect to Location, Condition, Room Count, and Recreational Amenities. These sales were utilized to the exclusion of sales that were more comparable in terms of Location, Condition, Room Count, and Recreational Amenities. These recent sales that were excluded from the analysis were located within a three-mile radius of the subject property (one sale was four doors down), were more comparable to the subject, and would have provided a more reliable indication of value. The following <u>USPAP</u> Standards (1999 Ed.) were violated: 1-1(a), 1-1(b), 1-4(a), and 2-1(b).

Complaint AB-99-65: On August 2, 2002, a Letter of Warning was issued to a Trainee Real Property Appraiser in connection with the appraisal of a single-family residence in which he signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: In the Sales Comparison Approach, Licensee inconsistently made adjustments in the sales grid for differences between the comparables and the subject property: Comparables #1 and #3 were adjusted positively for differences in room count and Comparable #2 had no adjustment; All three comparables should have been adjusted negatively; Comparables #2 and #3 were not adjusted for differences in recreational amenities when both properties possessed amenities for larger size, better condition, and higher quality compared to the Subject; All three comparables were adjusted according to the effective age and for differences in condition, reflecting a double dip in adjustments for the same reason. In the Sales Comparison Approach, Licensee utilized sales that exhibited significant dissimilarities to the subject with respect to Location, Condition, Room Count, and Recreational Amenities. These sales were utilized to the exclusion of sales that were more comparable in terms of Location, Condition, Room Count, and Recreational Amenities. These recent sales that were excluded from the analysis were located within a three-mile radius of the subject property (one sale was four doors down), were more comparable to the subject, and would have provided a more reliable indication of value. The following USPAP Standards (1999 Ed.) were violated: 1-1(a), 1-1(b), 1-4(a), and 2-1(b).

<u>Complaint AB-99-66:</u> On August 2, 2002, a Letter of Warning was issued to a Certified General Real Property Appraiser in connection with the appraisal of a single-family residence in which he signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the

appraisal report are detailed as follows: Licensee failed to describe sufficient information to disclose the scope of work used to develop the appraisal and failed to state the intended use of the appraisal. In the Sales Comparison Approach, Licensee failed to use proper methodology in the analysis of and adjustments to the comparable sales used in the report: Comparable #1 was adjusted \$12.85 per square foot for the difference in GLA while Comparable #2 and #3 were adjusted \$19.86 per square foot with no explanations of differences in adjustments; No adjustment made to Comparable #3 for fireplace; Adjustments to comparables #2 and #3 for detached shop buildings were inadequate. Licensee reported an incorrect parcel number for the subject property and included the wrong tax map exhibit when illustrating the location of the subject property in the report. Licensee inaccurately measured the subject property at the time of inspection and reported the square footage as 1,999 SF when in fact the correct square footage of the subject property was 1,766 +/- SF. The following USPAP Standards (1996 Ed.) were violated: 1-1(b), 1-4(b)(iii), 2-1(b), 2-2(b)(i), 2-2(b)(iii), and 2-2(b)(vi).

Complaint AB-99-67: On August 2, 2002, a Letter of Warning was issued to a Trainee Real Property Appraiser in connection with the appraisal of a single-family residence in which he signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: Licensee failed to describe sufficient information to disclose the scope of work used to develop the appraisal and failed to state the intended use of the appraisal. In the Sales Comparison Approach, Licensee failed to use proper methodology in the analysis of and adjustments to the comparable sales used in the report: Comparable #1 was adjusted \$12.85 per square foot for the difference in GLA while Comparable #2 and #3 were adjusted \$19.86 per square foot with no explanations of differences in adjustments; No adjustment made to Comparable #3 for fireplace; Adjustments to comparables #2 and #3 for detached shop buildings were inadequate. Licensee reported an incorrect parcel number for the subject property and included the wrong tax map exhibit when illustrating the location of the subject property in the report. Licensee inaccurately measured the subject property at the time of inspection and reported the square footage as 1,999 SF when in fact the correct square footage of the subject property was 1,766 +/- SF. The following <u>USPAP</u> Standards (1996 Ed.) were violated: 1-1(b), 1-4(b)(iii), 2-1(b), 2-2(b)(i), 2-2(b)(iii), and 2-2(b)(vi).

Complaint AB-99-68: On August 2, 2002, a Letter of Warning was issued to a Certified General Real Property Appraiser in connection with the appraisal of a single-family residence in which he signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: In the Sales Comparison Approach, Licensee failed to use appropriate adjustments in the sales grid for differences between the comparables and the subject property: Licensee failed to make adjustments for differences in Room Count and failed to cite differences in Functional Utility; Comparable #2 and #3 were adjusted for differences in car storage when both properties were similar to the subject property and have no car storage; All three comparables were adjusted according to the effective age and

for differences in condition, reflecting a double dip in adjustments for the same reason. In the Sales Comparison Approach, Licensee utilized sales 18-20 miles away from the subject property to the exclusion of sales that were located in the same neighborhood of the subject property. These sales were located within a three-block radius of the subject property and would have provided a more reliable indication of value for subject property. Licensee failed to provide a meaningful reconciliation summary in support of the final value conclusion derived via the Sales Comparison Approach. Licensee inappropriately arrived at the Sales Comparison Approach value by averaging all three of the comparables adjusted values. Licensee failed to disclose the existence of and analyze a current Agreement of Sale pending on the subject property at the time of appraisal. The following <u>USPAP</u> Standards (1999 Ed.) were violated: 1-1(a), 1-1(b), 1-4(a), 1-5(a), 2-1(b), and 2-2(b)(ix).

Complaint AB-99-69: On August 2, 2002, a Letter of Warning was issued to a Trainee Real Property Appraiser in connection with the appraisal of a singlefamily residence in which he signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: In the Sales Comparison Approach, Licensee failed to use appropriate adjustments in the sales grid for differences between the comparables and the subject property: Licensee failed to make adjustments for differences in Room Count and failed to cite differences in Functional Utility; Comparable #2 and #3 were adjusted for differences in car storage when both properties were similar to the subject property and have no car storage; All three comparables were adjusted according to the effective age and for differences in condition, reflecting a double dip in adjustments for the same reason. In the Sales Comparison Approach, Licensee utilized sales 18-20 miles away from the subject property to the exclusion of sales that were located in the same neighborhood of the subject property. These sales were located within a three-block radius of the subject property and would have provided a more reliable indication of value for subject property. Licensee failed to provide a meaningful reconciliation summary in support of the final value conclusion derived via the Sales Comparison Approach. inappropriately arrived at the Sales Comparison Approach value by averaging all three of the comparables adjusted values. Licensee failed to disclose the existence of and analyze a current Agreement of Sale pending on the subject property at the time of appraisal. The following USPAP Standards (1999 Ed.) were violated: 1-1(a), 1-1(b), 1-4(a), 1-5(a), 2-1(b), and 2-2(b)(ix).

Complaint AB-00-09: On August 15, 2002, a Certified General Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of an unimproved tract of land. Terms of the consent settlement order include a private reprimand, a \$900 administrative fine, and proof of successful completion of a Board approved 40-hour Highest and Best Use Analysis Course with exam, a Board approved 40-hour Income Capitalization course with exam and a 15-hour USPAP course with exam.

The discrepancies identified in the appraisal report are detailed as follows: Licensee failed to identify and describe the scope of the appraisal. Licensee failed to identify the intended use of the appraisal report. Licensee failed to identify the intended users. Licensee failed to correctly employ those recognized

methods and techniques that are necessary to produce a credible report by omitting detail necessary for the reader to understand the reasoning employed by the Licensee. The lack of explanations rendered the report inadequate for the reader to understand the reasoning and the process that the Licensee employed to arrive at the estimate of value. Licensee failed to summarize the information analyzed, the appraisal procedures followed, and the reasoning that supports the analysis, opinions and conclusions. Licensee failed to provide adequate explanation of the comparable sales and their appropriateness for the subject property. The intended use of the appraisal assignment was for use in litigation and lacked sufficient analysis for that use. Licensee is a Certified General Real Property Appraiser with years of experience and the Trainee was licensed for less than two months at the time of the appraisal assignment with no knowledge of the complexity of the type of appraisal he was developing. The Supervisor failed to provide the supervision necessary for the Trainee to develop and communicate a report in conformity with USPAP. The following USPAP Standards (1999 Ed.) were violated: 1-1(a), 1-2(a), 1-2(b), 1-2(f), 2-2(b)(i), 2-2(b)(ii), 2-2(b)(vii), 2-2(b)(ix), and 2-5.

<u>Complaint AB-00-65:</u> On August 13, 2002, a Letter of Warning was issued to a Certified General Real Property Appraiser in connection with the appraisal of a single-family residence in which she signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings.

The USPAP violations identified in the appraisal report are detailed as follows: Licensee reported conflicting information in the report about her inspection of the property. Licensee failed to describe the method used to develop the Site Value and the work file contained no market data or other documentation in support of the site value estimate. Licensee used Comparable Sales from superior neighborhoods about 20 miles away without adjusting for location when similar sales which could be adjusted for size were available in the Subject's market area.

The following <u>USPAP</u> Standards (2000 Ed.) were violated: 1-1(c), 1-4(b)(i), and 2-1(b). Also violated was §34-27A-20(7) and §34-27A-20(8), <u>Code of Alabama</u>, 1975.

Complaint AB-00-65: On August 13, 2002, a Letter of Warning was issued to a Trainee Real Property Appraiser in connection with the appraisal of a single-family residence in which he signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: Licensee reported conflicting information in the report about his inspection of the property. Licensee failed to describe the method used to develop the Site Value and the work file contained no market data or other documentation in support of the site value estimate. Licensee used Comparable Sales from superior neighborhoods about 20 miles away without adjusting for location when similar sales which could be adjusted for size were available in the Subject's market area.

The following <u>USPAP</u> Standards (1999 Ed.) were violated: 1-1(c), 1-4(b)(i), and 2-1(b). Also violated was §34-27A-20(7) and §34-27A-20(8), <u>Code of Alabama</u>, 1975.

Complaint AB-01-13 and AB-01-24: On August 15, 2002, Joseph Steele (S00062), a State Registered Real Property Appraiser signed a Consent Settlement Order in connection with the appraisals of single-family residences. Terms of the consent settlement order include a public reprimand, a \$2,575 administrative fine, and proof of successful completion of a Board approved 40hour Fundamentals of Appraisal course with exam and a 15-hour USPAP course with exam. The discrepancies identified in the appraisal report are detailed as follows: AB-01-13: Licensee failed to exercise reasonable diligence in developing an appraisal report. Licensee failed to accurately identify the physical characteristics of the subject property and communicate them in a manner that is not misleading. Licensee reported the square footage as 2,554 s/f, the total adjusted area reported by the Tax Assessors office. The appropriate square footage to report was the base area or heated area, 1,872 s/f, as reported by the Tax Assessors office. Licensee reported the subject as having a patio when in fact it has a deck. Licensee failed to identify the scope of the work necessary to complete the assignment. Licensee failed to identify the purpose of the assignment. Licensee failed to report the technique or method for the development of the site value in the submitted work file. Licensee failed to properly inform the client that the subject appraisal report was a limited appraisal - restricted report and his departure from the specific requirements for the development and reporting of an appraisal report. Licensee failed to accurately report his client. The third page of the appraisal report shows the client to be Mr. James Amerson with Union Planters however Union Planters does not have anyone by this name in its Alabama offices. Licensee stated in the interview that his client was Mr. Amberson, the homeowner. Licensee failed to accurately describe and analyze Comparable Sale #1. Licensee failed to report that the Comparable Sale was a water front lot and had a pool and deck. Licensee reported the subject to be one story when in fact it is a split foyer. Licensee failed to make an adjustment for the superior location of the comparable which caused an inappropriate Adjusted Sales Price. Licensee failed to have the knowledge and experience to complete the appraisal assignment competently. Licensee demonstrated a lack of competence to develop and report the appraisal assignment as evidenced by the type of errors reported in the Tax Assessor Records, inaccurate reporting of the physical description of the subject and Comparable Sale #1, the inability to develop and report the correct type of report to be developed. Licensee violated the Code of the State of Alabama by performing a Real Estate Appraisal without the benefit of an appropriate real estate appraisal license. The following USPAP Standards (2000 Ed.) were violated: Competency Rule, Departure Rule, 1-2(a), 1-2(c), 1-2(e), 2-1(a), 1-2(f), 1-4(a), 1-4(b)(i), 2-2(c)(i), 2-2(c)(xi). Also violated was §34-27A-20(7) and §34-27A-3(a)(2), Code of Alabama, 1975.

AB-01-24: Licensee failed to exercise reasonable diligence in developing an appraisal report. Licensee failed to report the technique or method for the development of the site value in the submitted work file. Licensee failed to analyze and report the prior sale of the subject property on December 1, 2000 and the foreclosure sale of the subject property on April 18, 2000. Licensee failed to analyze the sale contract. The Licensee reported in the USPAP Compliance Addendum that the subject property sale was a "For Sale By Owner" and referred the reader of the subject report to the sales contract. However, the sales contract

was not attached nor in the Licensee's work file. Licensee communicated a misleading report. Licensee reported in the USPAP Compliance Addendum that he had personally taken the photographs of the subject property, however, the Licensee stated in his letter to the secondary lender that he had used photographs supplied to him by the Client from an appraisal report done previously by another appraiser. Licensee violated the Code of the State of Alabama by developing and communicating a Real Estate Appraisal for a Federally Regulated Institution without the benefit of an appropriate real estate license. Licensee developed and reported a misleading or fraudulent report in the following manner: comparable sales used in the subject appraisal report ranged from \$78,000 to \$90,000. The typical sales price for similar homes in the subject's market area range from \$30,000 to \$70,000. The subject appraisal reported the price range to be \$65,000 to \$90,000 with a predominant value of \$80,000, to \$85,000. There were numerous sales similar to the subject within the subject's market area. The use of the alternative sales would have resulted in a lower indicated value. Licensee failed to explain why the subject that sold for \$43,000 three months prior to the subject appraisal would have a market value of \$81,000 at the time of the subject appraisal. The report exhibits a bias toward an unsupported and unrealistically high estimate of market value. The following <u>USPAP</u> Standards (2001 Ed.) were violated: Ethics Rule-Conduct, 1-1(a), 1-4(b)(i), 1-5(a), and 1-Also violated was §34-27A-20(a)(7) and §34-27A-9(2), Code of 5(b)(i). Alabama, 1975.

Complaint AB-01-46: On August 8, 2002, a Letter of Warning was issued to a Certified Residential Real Property Appraiser in connection with the appraisal of a single-family residence in which she signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: Licensee failed to exercise due diligence in developing an appraisal, preparing an appraisal, in preparing an appraisal report, or in communicating an appraisal. Licensee selected comparable sales outside the subject's immediate neighborhood when there were sales in that neighborhood that were equally comparable as those used and could have resulted in a lower opinion of value. Licensee failed to accurately state the lot size, lot shape, and the correct zoning for the subject property. Licensee failed to consider the applicability of the Cost and Income Approaches to value. The following USPAP Standards (1999 Ed.) were violated: 1-4(b) and 1-4(c). Also violated was §34-27A-20(7), Code of Alabama, 1975 and HUD Handbook 4150.2, D-1, Sec. 3.

Complaint AB-01-54: On August 15, 2002, Milton Holley (G00248), a Certified General Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of a 1.48-acre tract of land. Terms of the consent settlement order include a public reprimand, a \$400 administrative fine, and proof of successful completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified in the appraisal report are detailed as follows: Licensee failed to report or disclose the nature, extent and detail of the review process undertaken. The review report only stated that a review of the appraisal report had been made and that no errors were found. Licensee failed to set forth the opinions, reasons and conclusions as required in Standard Rule 3-1(c, d, e, and f) in the reporting of the subject appraisal review. Licensee failed to report his opinion of the adequacy and relevance of the data and the propriety of the

adjustments of the data. Licensee failed to report an opinion of the completeness of the report under review in light of the requirements of Standard Rule 2-2(b) other than to state in a one page two-sentence review that no errors were found in the subject appraisal report. Licensee failed to include all known pertinent information in the appraisal review. Licensee failed to discuss the contract and its contingencies along with the need for public financing and its effect on the completion of the proposed project. Licensee failed to include a signed certification as required by the Uniform Standards of Professional Appraisal Practice. Licensee failed to include the signed certification as required by the State of Alabama. Licensee failed in his review to correctly apply recognized methods and techniques necessary to produce a credible appraisal review. Licensee accepted an assignment for which he did not possess the requisite knowledge and/or experience necessary to complete the assignment competently. The following USPAP Standards (1997 Ed.) were violated: 3-2(a), 3-2(c), 3-2(d), 3-2(e), and the Competency Provision. Also violated was §34-27A, Code of Alabama, 1975.

Complaint AB-01-64: On August 8, 2002, a Letter of Warning was issued to a Certified Residential Real Property Appraiser in connection with the appraisal of a single-family residence in which she signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: Licensee failed to provide descriptive narrative in support of the significant difference between the actual age and estimated effective age of the subject property. Licensee failed to provide sufficient explanation and support for the adjustments applied in the Sales Comparison Approach analysis grid. In the Sales Comparison approach, Licensee utilized sales that exhibited significant dissimilarities to the subject with respect to Location, Quality of Construction, and Condition. These sales were utilized instead of sales that were more comparable in terms of Location, Quality of Construction, and Condition and would have provided a better indication of value. Licensee failed to provide a meaningful reconciliation summary in support of the final value conclusion derived via the Sales Comparison Approach. The following USPAP Standards (2001 Ed.) were violated: 1-1(b), 1-4(a), 1-5(c), 2-1(a), 2-1(b), 2-2(b)(ix).

Complaint AB-01-69: On August 8, 2002, a Letter of Warning was issued to a Certified Residential Real Property Appraiser in connection with the appraisal of a single-family residence in which she signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: Licensee failed to provide descriptive narrative in support of the significant difference between the actual age and estimated effective age of the subject property. Licensee failed to provide sufficient explanation and support for the adjustments applied in the Sales Comparison Approach analysis grid. In the Sales Comparison approach, Licensee utilized sales that exhibited significant dissimilarities to the subject with respect to age, design, condition, and amenities. These sales were utilized instead of sales that were more comparable and would have provided a better indication of value. Licensee failed to provide a meaningful reconciliation summary in support of the final value conclusion derived via the Sales Comparison Approach. Licensee reported the subject property with a garage and utilized the square footage to determine the Cost Approach value and the Sales Comparison Approach value when in fact, the subject property never had any type of car storage. This resulted in an inflation of the final estimated value of the subject property. The following <u>USPAP</u> Standards (2001 Ed.) were violated: 1-1(b), 1-4(a), 1-4(b)(ii), 1-4(b)(iii), 1-5(c), 2-1(a), 2-1(b), and 2-2(b)(ix).

Complaint AB-02-23: On August 2, 2002, a Letter of Warning was issued to a Certified Residential Real Property Appraiser in connection with the appraisal of a single-family residence in which she signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. The USPAP violations identified in the appraisal report are detailed as follows: Licensee failed to disclose the intended use of the subject appraisal. Licensee failed to provide a summary of the items included in the "site improvement" value. Licensee reported that the subject property included a septic tank and included this as an exception on the corresponding VC sheet for the client. The subject property was connected to the public water system and never had a septic tank. Licensee supplied incorrect photographs for Comparables #4 and #6. The following USPAP Standards (2002 Ed.) were violated: 1-1(b), 1-1(c), 1-4(a), 2-1(a), 2-2(b)(ii), and 2-2(b)(ix).

Mr. Holland discussed with the Board the investigative status charts and states there have been 27 new complaints since last Board meeting.

#### Reconsideration Hearing – 11:15 a.m.

Roland Coan (T applying for L) – Approved – On motion by Mr. Cheney and second by Mr. Tillman. All in favor, motion carried.

#### Disciplinary Hearing, 11:30 a.m. Elrick Harris, AB 01-42, AB 01-43

The Board considered the recommendation of the ALJ on the motion for entry of a default, reviewed the summons and complaint and exhibits in AB 01-42 and AB 01-43 and on motion of Mr. Parker and second by Mrs. Mardis the Board unanimously voted to adopt the following finding of fact, conclusions of law and order:

Finding of Fact: Respondent was duly licensed as a Certified Residential Real Property Appraiser License No. R00527, issued by the Alabama Real Estate Appraisers Board at all times relevant to the facts complained of herein. Respondent's appraisal report dated April 19, 1999, of a single-family residence located at 268 Highway 198, Clayton, Alabama contains the following violations of USPAP, 1999 Edition, the Alabama Real Estate Appraisers Board Administrative Code and Chapter 27A of Title 34, Code of Alabama, 1975: The three comparable sales utilized in the Sales Comparison Analysis section of the appraisal report are fabricated. Licensee valued the subject property at \$126,300 based on these fabricated comparables reported to have sold for prices ranging from \$120,358 to \$127,400. The Certification attached to the subject appraisal report and signed by the Licensee, falsely certified that "...all statements and information in the appraisal report are true and correct." Licensee failed to respond to request for information by the Board during the investigation of the complaint. Respondent's appraisal report dated March 2, 2001, of a single-family

residence located at 6945 County Road 47 in Union Springs, Alabama contains the following violations of USPAP, 2001 Edition, the Alabama Real Estate Appraisers Board Administrative Code and Chapter 27A of Title 34, Code of Alabama, 1975: The three comparable sales utilized in the Sales Comparison Analysis section of the appraisal report are fabricated. Licensee valued the subject property at \$90,467 based on these fabricated comparables reported as having sold for prices ranging from \$85,400 to \$90,500. The Certification attached to the subject appraisal report and signed by the Licensee, falsely certified that "...all statements and information in the appraisal report are true and correct. Licensee's use of fabricated comparable sales data in the Sales Comparison Analysis section of the appraisal report is an act involving dishonesty, fraud or misrepresentation with the intent of substantially benefiting the certificate holder or another person. Licensee failed to respond to request for information by the Board during the investigation of the complaint.

Conclusions of Law: The Board finds that, based upon the above facts, the Respondent, Elrick Harris is guilty of violating the following: §34-27A-20(a)(5), §34-27A-20(a)(15), Code of Alabama, 1975, Ethics Provision-Conduct, USPAP, 1999, and Ethics Rule-Conduct, USPAP, 2001.

<u>Order of the Board:</u> It is the unanimous decision of the Board that the appraisal license issued to the Respondent, Elrick Harris, R00527 is revoked. The Respondent shall be entitled to apply for a reinstatement of his license after a period of two years and in the manner provided for in the Real Estate Appraisers Board Administrative Code.

A copy of this Order shall be mailed to the Respondent, Elrick Harris by certified mail. All in favor, motion carried.

6.2.1 The Board reviewed Probable Cause Report AB-00-55. On motion by Mr. Martin and second by Mrs. Mardis the Board voted that probable cause did exist and to follow investigative staffs recommendation and issue a Letter of Counsel. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-01-21. On motion by Mrs. Mardis and second by Mr. Cheney the Board voted to that probable cause did exist and to follow investigators recommendation to proceed with formal investigation. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-01-60. On motion by Mr. Cheney and second by Mr. Tillman with Mr. Martin opposing the Board voted that probable cause did exist and to follow the investigators recommendations to issue a Letter of Warning. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-01-89. On motion by Mrs. Mardis and second by Mr. Tillman the Board voted that probable cause did not exist and to follow the investigators recommendations to dismiss. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-01-93. On motion by Mr. Martin and second by Mr. Cheney the Board voted that probable cause did exist

and to follow the investigators recommendations and issue a Letter of Warning. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-01-96 and AB-01-97 (Companion Case). On motion by Mr. Martin and second by Mrs. Mardis the Board voted that probable cause did exist and to modify investigators recommendation and issue a Letter of Warning with no violation of the Supplemental Standards Rule. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-02-15. On motion by Mrs. Mardis and second by Mr. Cheney the Board voted that probable cause did exist and to follow investigators recommendations to proceed with formal investigation. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-02-22. On motion by Mr. Cheney and second by Mr. Tillman the Board voted that probable cause did exist and to follow investigators recommendations to proceed with formal investigation. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-02-25. Deferred to next month.

The Board reviewed Probable Cause Report AB-02-26. On motion by Mr. Cheney and second by Mr. Carter the Board voted that probable cause did not exist and to dismiss. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-02-28. On motion by Mr. Cheney and second by Mr. Tillman the Board voted that probable cause did exist and to follow investigators recommendation to proceed with formal investigation. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-02-44. On motion by Mr. Tillman and second by Mrs. Mardis the Board voted that probable cause did exist and to follow investigators recommendation to proceed with formal investigation. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-02-48. On motion by Mr. Cheney and second by Mr. Martin the Board voted that probable cause did exist and to follow investigators recommendation to proceed with formal investigation. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-02-50 and AB-02-51 (Companion Case). On motion by Mr. Martin and second by Mr. Tillman the Board voted that probable cause did not exist and to follow investigators recommendation to dismiss due to lack of evidence of violations. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-02-63. On motion by Mr. Tillman and second by Mr. Martin the Board voted that probable cause did exist and to follow investigators recommendation to proceed with formal investigation. All in favor, motion carried.

The Board reviewed Probable Cause Report AB-02-85. On motion by Mrs. Mardis and second by Mr. Cheney the Board voted that probable cause did exist and to follow investigators recommendation to proceed with formal investigation. All in favor, motion carried.

6.2.2 The Board reviewed Board Initiated Complaint Request AB-02-46. On motion by Mrs. Mardis and second by Mr. Cheney the Board voted that sufficient justification exist to warrant a Board Initiated complaint. All in favor, motion carried. On motion by Mrs. Mardis and second by Mr. Cheney the Board voted to proceed with formal investigation. All in favor, motion carried.

The Board reviewed Board Initiated Complaint Request AB-02-68. On motion by Mr. Cheney and second by Mrs. Mardis the Board voted that sufficient justification exist to warrant a Board Initiated complaint. All in favor, motion carried. On motion by Mr. Cheney and second by Mrs. Mardis the Board voted to proceed with formal investigation. All in favor, motion carried.

- 6.2.3 The Board reviewed Letter of Warnings on AB-00-73, AB-00-82, AB-01-85, AB-01-86, AB-01-12, Consent Settlement Orders on AB-00-68, AB-02-08, AB-02-16, AB-02-43, and Voluntary Revocation Consent Order AB-02-45. On motion by Mr. Martin and second by Mr. Tillman the Board voted to approve as stated. All in favor, motion carried.
- No reciprocal agreements to report since last meeting.
- 6.4 The following reciprocal license was issued since last Board meeting: James Boswell (G)(GA).
- 7.0 The temporary permit report was provided to the Board for their information.
- 8.0 Mr. Holland confirmed with the Board the changes they made last month to the Manufactured Housing Policy Statement were approved to publish.

Mr. Holland discussed the upcoming AARO Fall Conference on October 19, 2002 through October 22, 2002 in Washington, D.C. The members who are definitely attending are Mrs. Mardis and Mr. Mallory. Those staff members who will be attending are Mr. Holland, Ms. Conway and Ms. Bentley.

Mrs. Mardis asked that in our next newsletter publication we add the Drive-By Appraisals article that has been published in the past.

The Experience Committee gave their recommendations to the Board after discussing Proposed Supervisor/Trainee Policy. The changes will once again by published in our next newsletter and also on our website.

Mr. Holland included in the books the latest copy of the AARO News for Board information.

Mr. Holland informed the Board with an insert in their books that as of this date we have had 53% of the appraisers to renew compared to last years 40%.

|                             | Mr. Holland informed the Board that the audit from the Examiners of Public accounts has been concluded with very few discrepancies to report. |
|-----------------------------|---|
| 9.0                         | Meeting adjourned at 3:10 p.m.  |
| Sincerely,                  |   |
| Lisa Brooks<br>Executive Se | ecretary  |
| Lb                          |   |
| APPROVEI                    | D:  |